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13 SEP 1978

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MEMORANDUM FOR: Director of Central Intelligence

THROUGH: Deputy Director for Administration
Deputy Director of Central Intelligence

FROM: F. W. M. Janney
Director of Personnel

SUBJECT: Review of the Administration of CIARDS []

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25X1 1. [] Action Requested: That you transmit the annual report on the administration of CIARDS to the House Permanent Select Committee on Intelligence.

25X1 2. [] Background: In April 1976 the House Armed Services Committee, which at that time had jurisdiction over CIA, established the requirement for an annual report from the Agency on the administration of CIARDS. The report is due in October of each year.

The reports for 1976 and 1977 were prepared by [] an outside consultant, well versed in Federal retirement systems. In order to maintain continuity, we were fortunate to have [] review our administration of CIARDS for the past year and prepare the report which is due this October.

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In the two previous years the report was sent to the Armed Services Committee of the House. Jurisdiction over CIA is now vested in the Permanent Select Committee on Intelligence which has asked that it receive the annual reports on CIARDS.

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25X1 3. [] Staff Position: In his letter of transmittal to you, [] concludes that the "designation of employees for participation in CIARDS and decisions with respect to qualifying service have been consistent with the law, the regulations and accepted Agency policy." I believe you will be satisfied with his findings and conclusions.

25X1 4. [] Recommendations: That you sign the attached letter to the Chairman of the House Permanent Select Committee on Intelligence to transmit the report on CIARDS.

/s/ F.W.M. Janney

F. W. M. Janney

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Attachments:

A--Transmittal letter to Chairman, House Permanent Select Committee,
House of Representatives

B--Annual Review of Designation of Participants Under Section 203 of
the CIA Retirement Act

CONCURRENCE: 79/ John F. Blake
Deputy Director for Administration

15 SEP 1978

Date

CONCURRENCE: _____
Legislative Counsel

Date

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**ANALYSIS OF DESIGNATION OF PARTICIPANTS
UNDER SECTION 203 OF THE CIA RETIREMENT ACT**



August 1978

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NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions



25X1

August 31, 1978

Admiral Stansfield Turner
Director of Central Intelligence
Washington, D. C. 20505

Dear Admiral Turner:

This is the third in a series of annual reports prepared after analysis of the Central Intelligence Agency's exercise of discretion in designating employees for participation in CIARDS.

The Committee on Armed Services of the House of Representatives originally directed the Agency to conduct and report the results of such an analysis to the Committee not later than October 1, 1976 and annually thereafter. The House Permanent Select Committee on Intelligence, which now has jurisdiction over the Central Intelligence Agency and intelligence matters, has asked that it be provided with similar reports.

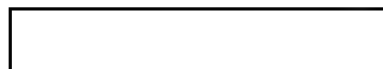
The Agency continues to operate CIARDS as a retirement system for a limited number of CIA employees. Employees are designated for participation only after they have completed at least sixty months of qualifying service. All service outside the fifty states, the District of Columbia, Puerto Rico, the Virgin Islands and Guam is qualifying regardless of location or type of duties. Domestic service is qualifying only if it meets requirements, set by the law, the regulations, and Agency policy, that it be hazardous to life or health or so specialized because of security requirements as to be clearly distinguishable from normal government employment.

Although the past year has not been one of major changes in the administration of CIARDS, the report narrates a number of events and changes that occurred. Two of these are of greater significance than the others.

1. The House Permanent Select Committee on Intelligence continued to demonstrate a Congressional interest in CIARDS and its administration that began even before the CIA Retirement Act was passed in 1964. Hearings

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S-E-C-R-E-T



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- 2 -

and an exchange of questions and answers have equipped the Committee with comprehensive and detailed information about CIARDS.

2. The Director of Central Intelligence reaffirmed that the Agency's policy will be one of strict observance of the regulatory criteria and intent of the law in designating employees for participation in CIARDS. He announced to the top managers in the Agency that no relaxation or liberalization of the criteria will be permitted to ease problems related to a reduction in personnel currently in progress.

The CIA Retirement Board in its recommendations, and the Director of Personnel in his decisions on individual cases, have carried out the strict interpretation and application of criteria for participation in CIARDS which has been Agency policy since the system began and which has now been reaffirmed by the current Director of Central Intelligence. A quite thorough review of actions taken during the year does not disclose any transaction that deviated from the strict criteria.

During the past year the Director of Personnel, advised and assisted by the Retirement Board, has carefully exercised the discretion given the Director of Central Intelligence to designate employees for participation in CIARDS, and decisions with respect to qualifying service have been consistent with the law, the regulations and accepted Agency policy.

Sincerely yours,

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Annual Review of Designation of Participants

Under Section 203 of the CIA Retirement Act

25X1

by

August 1978

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S-E-C-R-E-T

C O N T E N T S

| | <u>Page</u> |
|--|-------------|
| Part I. INTRODUCTION | 1 |
| Why this Study was Undertaken. | 1 |
| Purpose and Scope of the 1978 Report | 2 |
| How the Study was Conducted. | 3 |
| How the Report is Organized. | 3 |
| Part II. WHAT HAPPENED DURING THE PAST YEAR. | 4 |
| Congressional Interest in CIARDS | 5 |
| Reduction in DDO | 8 |
| Strict Application of Criteria for Participation .12 | |
| CIA Retirement Board | 14 |
| Modification of Retirement Board Policy. | 17 |
| Executive Order 12023. | 19 |
| CIARDS Regulations | 20 |
| Mandatory Retirement For Age | 24 |
| Irrevocable Elections. | 26 |
| Reemployed CIARDS Annuitants | 30 |
| Guidelines for Qualifying Service. | 32 |
| Question and Answer Booklet Updated. | 36 |
| Part III. STATISTICAL DATA | 37 |
| Participation in CIARDS. | 37 |
| Designations and Removals. | 37 |
| Participation Based on Domestic Service. | 37 |
| CIARDS Retirement Eligibility. | 38 |
| Retirements in the Year Ending June 30, 1978 | 38 |
| Retirements from 1965 to June 30, 1978 | 39 |
| Qualifying Service | 40 |
| Age Comparisons. | 41 |
| Tables | |
| 1. Participation in CIARDS. | 42 |
| 2. CIARDS Designations and Removals | 43 |
| 3. CIARDS Participation Based in Part | |
| <u>on Domestic Qualifying Service.</u> | 44 |
| 4. CIARDS Retirement Eligibility. | 44 |
| 5. Retirements by Source. | 45 |
| 6. Retirements by Attained Age. | 46 |
| 7. CIARDS Retirements by Total | |
| <u>Federal Service</u> | 47 |
| 8. Employees Retired under CIARDS | |
| <u>at Age 50, by Years of Service.</u> | 48 |
| 9. CIARDS Retirements and Deaths in Service | 49 |

S-E-C-R-E-T

C O N T E N T S

(continued)

| | | |
|----------|---|-----|
| 10. | <u>Civil Service Retirements.</u> | .50 |
| 11. | <u>Total Retirements by System.</u> | .51 |
| 12. | <u>CIARDS Quota Used.</u> | .52 |
| 13. | <u>Average Age of Retirees.</u> | .53 |
| 14. | <u>Retirements by Age Groups.</u> | .54 |
| 15. | <u>Retirements by Grade</u> | .55 |
| 16. | <u>Percent of GS Retirements at GS-12 and above</u> | .56 |
| 17. | <u>CIARDS Retirees by Type of Qualifying Service</u> | .57 |
| 18. | <u>Domestic Service Approved.</u> | .57 |
| 19. | <u>Non-Disability CIARDS Retirees by Months of Qualifying Service</u> | .58 |
| 20. | <u>Age and Grade Comparisons.</u> | .59 |
| 21. | <u>Age Group Comparisons.</u> | .60 |
| 22. | <u>Operations Career Service Personnel.</u> | .61 |
| 23. | <u>General Schedule Personnel Age Group Comparisons</u> | .62 |
| Part IV. | RETIREMENT SYSTEMS COMPARED | .63 |
| | <u>Basic Annuity Under Various Computation Formulas.</u> | .63 |
| | Comparison Charts. | .65 |
| Part V. | FINDINGS AND CONCLUSION. | .74 |
| | Findings | .74 |
| | Conclusion | .77 |

S-E-C-R-E-T

PART I
INTRODUCTION

Why This Study Was Undertaken

25X1 [] This current study is the third undertaken to help the Agency comply with the directive of a Congressional Committee. In 1976 the House Committee on Armed Services directed that the Central Intelligence Agency "Conduct a careful analysis of the application of the qualifying provisions of section 203 of the CIA Retirement Act in designating participants with reference to the special circumstances justifying their inclusion, and that the results of such analysis be reported to the Committee by the Director of Central Intelligence not later than October 1, 1976, and on an annual basis thereafter."¹

25X1 [] Reports of the studies made in compliance with the above directive were submitted to the Armed Services Committee in 1976 and 1977. Jurisdiction over CIA and intelligence matters has been transferred to the House Permanent Select Committee on Intelligence, and it now appears appropriate that the results of this and any future studies be submitted to the Committee having current jurisdiction. This assumption is confirmed by an exchange of views between the Agency and the Committee

1. Report 94-1152, Part 1, 94th Congress, 2nd Session, page 13.

S-E-C-R-E-T

following a hearing of October 13, 1977. The Committee included the following in a series of questions on CIARDS:

"In order to assure this Committee that CIARDS is being managed in the most efficient manner, we would expect periodic reports be submitted similar to

25X1 [redacted]

The Agency reply of October 31, 1977¹ stated in part:

"We welcome the opportunity to provide the Committee with periodic reports on our administration of CIARDS.

The two reports [redacted] were sent to the House Armed Services Committee. We assume that in future years the annual report on CIARDS will be sent to the Permanent Select Committee on Intelligence."

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Purpose and Scope of the 1978 Report

25X1 [redacted] This current study is in the nature of an annual review of CIARDS administration with particular reference to the Agency's exercise of discretion in designating employees for participation and in determining what service is qualifying for CIARDS purposes. It will not repeat background information available in past reports, particularly the 1976 report, but will concentrate on what has happened during the past year. The statistical tables that show some of the end results of the Agency's administration of CIARDS are brought up to date.

1. John F. Blake to Honorable Morgan F. Murphy, Chairman, Subcommittee on Legislation, House Permanent Select Committee on Intelligence.

How the Study was Conducted

25X1 ☐ Material for this report was obtained from extensive reading of Agency files and records, a review of the verbatim transcripts of the twenty-two regular and two special meetings of the Retirement Board, discussion with appropriate Agency officials, and the full cooperation of personnel involved in CIARDS administration. The Executive Secretary of the Retirement Board was a particularly valuable source of information and data necessary for this report.

25X1 ☐ No restrictions were placed on this writer's access to all records bearing on the Agency's administration of CIARDS.

How the Report is Organized

25X1 ☐ This report is divided into the following parts:

- PART I Introduction
- PART II What Happened In the Past Year
- PART III Statistical Data
- PART IV Retirement Systems Compared
- PART V Findings and Conclusion

S-E-C-R-E-T

PART II

WHAT HAPPENED DURING THE PAST YEAR

25X1 ☐ Nothing that has happened during the past year could be classed as a major change affecting the Agency's administration of the Central Intelligence Agency Retirement and Disability System. This system may be described, in an overly simplified manner, as a retirement system for only those Agency employees who are designated for participation by the Director on the basis of qualifying service.

25X1 ☐ All overseas service is considered to be qualifying regardless of location or duties performed. Most domestic service is not qualifying. Only domestic service that is hazardous to life or health, or so specialized because of security requirements as to be clearly distinguishable from normal Government employment¹, may be approved as qualifying service.



25X1 The narrative that follows will describe some of the events bearing on CIARDS administration that occurred during the past year.

25X1 1. See Section 203, CIA Retirement Act and Regulation (11).

S-E-C-R-E-T

Congressional Interest in CIARDS

The Congress continued to demonstrate its interest in the Central Intelligence Agency Retirement and Disability System.

At the time the legislation that later became the "Age Discrimination in Employment Act Amendments of 1978"¹ was pending, the House Education and Labor Committee, which reported out the Bill, contemplated eliminating mandatory age retirement for all Federal retirement systems, including CIARDS. The Committee agreed to a suggestion that the special Federal retirement systems be exempted from the elimination of mandatory age retirement until the House Committee on Post Office and Civil Service could reexamine these systems in the light of the pending legislation.

By mutual agreement it was decided that the House Permanent Select Committee on Intelligence, which now has exclusive jurisdiction over CIA, should conduct hearings on the need for and viability of CIARDS.

The Subcommittee on Legislation, House Permanent Select Committee on Intelligence, held a brief hearing on October 12, 1977, and a more lengthy hearing on October 13, 1977, presided over by its Chairman, Honorable Morgan F. Murphy, with other members of the Subcommittee and of the full Committee present.

1. PL 95-256 of April 6, 1978.

S-E-C-R-E-T

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Mr. John Blake, at that time Acting Deputy Director of Central Intelligence, and other officials testified for the Agency.

25X1 ☐ It is not the purpose of this report to present an extensive recitation of all that transpired at the hearings. Very briefly, however, it may be stated that Mr. Blake testified in depth concerning the background of a separate retirement system for some of the employees of CIA, the perceived need for such a system, the criteria for selection of employees for participation, the usefulness of CIARDS as a tool for manpower management, and the disadvantages to the Agency if CIARDS were to be abolished.

25X1 ☐ He emphasized the Agency belief that mandatory age retirement should be retained as a vital feature of CIARDS applicable to the operational cadre, but that age retirement is no longer essential for other Agency employees who are under CSR. He closed his direct testimony by reporting briefly on the Agency's stewardship in administering CIARDS since enactment of the enabling legislation in 1964.

25X1 ☐ Members then asked many questions, ranging over a broad spectrum of subject matter concerning CIARDS and its administration by the Agency. A great deal of the discussion focussed on how employees are designated for participation in CIARDS and how Agency discretion is exercised in determining what types of service are qualifying. There was some discussion of the need for mandatory age retirement, but clearly the Committee

S-E-C-R-E-T

S-E-C-R-E-T

was at least as interested in and concerned about broader areas encompassed by CIARDS administration.

25X1 [] At a subsequent hearing before the Subcommittee on November 2, 1977, Honorable Samuel S. Stratton, who was a Member of the House Armed Services Committee when it held hearings on proposed CIARDS legislation before its enactment in 1964, testified. He believes the Agency should be more restrictive in exercising the discretion to designate employees for participation, and should limit CIARDS retirements to employees who are "unfit for further service".

25X1 [] After the October 13 hearing, the Committee submitted several series of questions to the Agency, and the Agency replied on October 31, 1977 and again on December 22, 1977. These exchanges explored CIARDS administration in considerable detail. A total of 83 questions were asked and answered, and in addition the Agency provided comments on Congressman Stratton's testimony as requested. The Committee requested and the Agency expressed an intention to submit periodic reports on the Agency's administration of CIARDS.

25X1 [] As a result of the hearings, the questions and answers, and other information submitted by the Agency, the House Permanent Select Committee on Intelligence is now in possession of more detailed and comprehensive descriptions of CIARDS and its administration by the Agency than any of the other Committees that have been concerned with the subject matter, either past or present.

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Reduction In DDO

25X1 [] In August of 1977, the Agency announced an intended reduction
25X1 of [] positions in the Directorate of Operations, to be accomplished over a two-year period through normal attrition and involuntary separations.

25X1 [] It is not the purpose of this study to report on the details of the reduction exercise which is still in progress, except to explore the impact of the reduction on the administration of CIARDS and, conversely, the impact if any of CIARDS administration on the planned reduction.

25X1 [] The names of [] people were eventually placed on a list of employees scheduled for separation during FY 1978 (subsequently reduced to [] by the withdrawal of [] employees from
25X1 the list and the death of []). Of the [] [] employees were
25X1 CIARDS participants and [] were members of CSR.

25X1 [] Employees were selected for separation on the basis of
25X1 numerical rankings of fitness and of potential for contributing to current and future needs of the Agency. No evidence was found that the selections were influenced in any way by whether an employee was a participant in CIARDS or a member of the Civil Service Retirement System. There is also nothing to indicate that eligibility or lack of eligibility for immediate annuity was a factor in selections, but it must be recognized that in past years an Evaluation Board, consciously or otherwise, may

S-E-C-R-E-T

have considered the age, length of service, and retirement eligibility of an employee in appraising his potential for contributing to current and future Agency needs.

25X1 ☐ Section 235 (a) of the CIA Retirement Act reads in part as follows:

"The Director may in his discretion place in a retired status any participant who has completed at least twenty-five years of service, or who is at least fifty years of age and has completed at least twenty years of service, provided such participant has not less than ten years of service with the Agency of which at least five shall have been qualifying service. * * *."

25X1 ☐ In the light of the above provision of law, the Agency could have legally carried out its planned reduction by selecting employees for separation solely from a list of CIARDS participants meeting the service and age requirements of Section 235. As has already been noted, the Agency chose instead to use individual fitness and potential as criteria producing a greater degree of fairness and equity to employees and the prospect of a more effective work force in future years.

25X1 ☐ What part have the retirement systems played with respect
25X1 to the ☐ employees scheduled for retirement in Fiscal Year 1978? It should be noted that under both CIARDS and CSR immediate annuity is payable if an employee is separated involuntarily at any age after at least 25 years of service, or after reaching

age 50 and completing at least 20 years of service. Thus an

employee who is eligible for immediate annuity under one system would also be entitled to immediate annuity if he were under the other system.

25X1 ☐ There are two important differences in the annuity payable under the two systems. The basic annuity under CIARDS is 2% of high-three average salary multiplied by years of service, with no reduction based on the age of the retiring employee.

25X1 ☐ The basic annuity under CSR is high-three average salary multiplied by 1 1/2% for each of the first five years of service, 1 3/4% for years between five and ten, and 2% for each year in excess of ten. CSR annuity so computed is reduced by 1/6 of 1% for each full month (2% per year), if any, the retiring employee is under age 55.

25X1 ☐ To illustrate, assume a high-three average salary of \$20,000, and involuntary separation as shown below:

| <u>Age</u> | <u>Years of Service</u> | <u>CIARDS</u> | <u>CSR</u> |
|------------|-------------------------|---------------------|-----------------------|
| 50 | 20 | \$ 8,000 | \$ 6,525 ¹ |
| 50 | 25 | 10,000 | 8,325 ¹ |
| 55 | 20 | 8,000 | 7,250 |
| 55 | 25 | 10,000 | 9,250 |
| 59 | 30 | 12,000 | 11,250 |
| 59 | 40 | 14,000 ² | 15,250 |

1. Reduced for age.

2. Maximum annuity 70% of high-three.

25X1 ☐ It will be noted from the above explanation that whether an involuntarily separated employee is a participant in CIARDS or a member of CSR does not affect his entitlement to immediate annuity, but has a material affect on the amount of his annuity.

25X1 ☐ Of the ☐ employees originally scheduled for separation
25X1 during Fiscal Year 1978, ☐ would have been eligible for immediate annuity if involuntarily separated as of March 31, 1978 - ☐ 25X1
25X1 under CIARDS and ☐ under CSR. Others did not meet the age and service requirements as of that date, but would be eligible if permitted to stay on the employment rolls until some future date.

25X1 ☐ By decisions of November 18 and December 10, 1977, the Director of Central Intelligence deferred until eligible for immediate annuity, but not later than December 13, 1979, the scheduled separations of employees who needed additional service or age to qualify for immediate annuity.

25X1 ☐ As of August 25, 1978, ☐ of the employees scheduled for separation during Fiscal Year 1978 had retired - ☐ under CIARDS 25X1
25X1 and ☐ under CSR. Another ☐ will retire before the end of 1979 -
25X1 ☐ under CIARDS and ☐ under CSR. Thus it is now known that ☐ 25X1
25X1 or half of the list of ☐ will be retired on immediate annuity with CIARDS accounting for ☐ or the retirees and CSR the other

25X1 ☐

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Strict Application of Criteria for Participation

With one exception, Agency interpretation and application of the criteria set forth in the law and the regulations for designation of employees for participation in CIARDS has been strict and conservative. The exception occurred in 1968 and 1969 when, faced with a need to reduce personnel and having available unused retirement quota, the Agency temporarily liberalized its exercise of discretion to designate by relaxing somewhat its requirements for evidence that domestic service was indeed qualifying.

25X1 Although only ☐ cases involving domestic service were approved during the eleven months of deviation from strict policy, and as many as half of them would have been approved under the strictest of interpretations, the Agency recognized the liberalized policy as unwise and returned to a strict and conservative interpretation and application of criteria. 25X1

The announcement in 1977 of a necessary reduction in the Directorate of Operations presented the possibility of a repetition of the 1968-1969 mistake. This possibility was forestalled by the Director of Central Intelligence on September 26, 1977 when he approved a recommendation from the Director of Personnel reading:

"That you reaffirm the position that CIARDS will continue to be administered strictly but fairly in

observance of the regulatory criteria and the intent of the law, that no relaxation or liberalization of the criteria will be permitted to accommodate the problem of reducing surplus personnel from the DDO, and that you convey this position to top Agency managers."¹

The Director did convey this reaffirmation of strict policy to top managers of the Agency in his next meeting with them.

This writer found widespread recognition and support of a policy of strict interpretation and application of CIARDS criteria at all levels within the Agency.

1. Executive Registry 77-2322.

CIA Retirement Board

25X1 ☐ The Director of Central Intelligence has assigned to the Director of Personnel responsibility for the general administration of CIARDS, and has delegated to him the broad authority necessary for such administration.

25X1 ☐ The CIA Retirement Board¹ was established and exists to advise and assist the Director of Personnel in the administration of the System. The Director of Personnel appoints a Chairman and four Members of the Board. Each Member represents one of the four Directorates and is a senior official (supergrade level) recommended by his Deputy Director. The Board is supported by a Legal Advisor, a Technical Advisor, an Executive Secretary and a Recording Secretary.

25X1 ☐ The Board considers each individual transaction involving eligibility to be designated a member of the system; continued participation; voluntary, involuntary or disability retirement; and continuance beyond retirement age. The Board approves all qualifying service. Board actions generally are expressed as recommendations submitted to the Director of Personnel for decision. Employees rights are well guarded by opportunities to be heard and to appeal from any adverse determinations.

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25X1 ☐ In the year ending June 30, 1978, Board consideration of individual cases and recommendations to the Director of Personnel have resulted in:

25X1 ☐ designations for participation in CIARDS

25X1 ☐ removals from CIARDS

25X1 ☐ applications for qualifying domestic service approved

25X1 ☐ domestic service cases disapproved

25X1 ☐ CIARDS retirements

25X1 ☐ The Board tends to be quite conservative in its interpretations of the law and the regulations, and this writer found no evidence of any deviations from a strict application of Agency policy.

25X1 ☐ One member of the Board has served since its creation in 1965. The present Chairman was appointed in 1973. The other three members were appointed in 1975, 1976 and 1978 respectively. Each of the four Members representing a Directorate has an alternate who acts for him in his absence. One of the alternates is a former Member of the Board.

25X1 ☐ The four Members are all participants in CIARDS, but the Chairman and the Director of Personnel are under the Civil Service Retirement System.

25X1 ☐ During the year ending June 30, 1978, the Board met in 22 regular bi-weekly meetings and in two special meetings, with meetings ranging from a few minutes to nearly two hours and averaging about one hour per meeting. Three hundred and nineteen

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regular meetings have occurred over the thirteen-year life of the Board.

25X1 ☐ Consideration of employee requests for approval of periods of domestic service as qualifying for CIARDS participation has required a clear preponderance of the time and attention of the Board, throughout the life of the Board as well as during the past year.

Modification of Retirement Board Policy

25X1 ☐ The Retirement Board continued to demonstrate a high degree of consistency in its consideration of employee requests for approval of domestic service as qualifying for CIARDS. Each request was considered in terms of the service actually performed by the individual rather than by "class action" decisions blanketing in groups of employees. The experience acquired by the Board in its study of individual cases since 1965, and the decisions reached, were applied in deciding new cases.

25X1 ☐ One type of domestic service has been quite troublesome to the Board during recent years. The Board has recommended that the Director of Personnel approve domestic service as

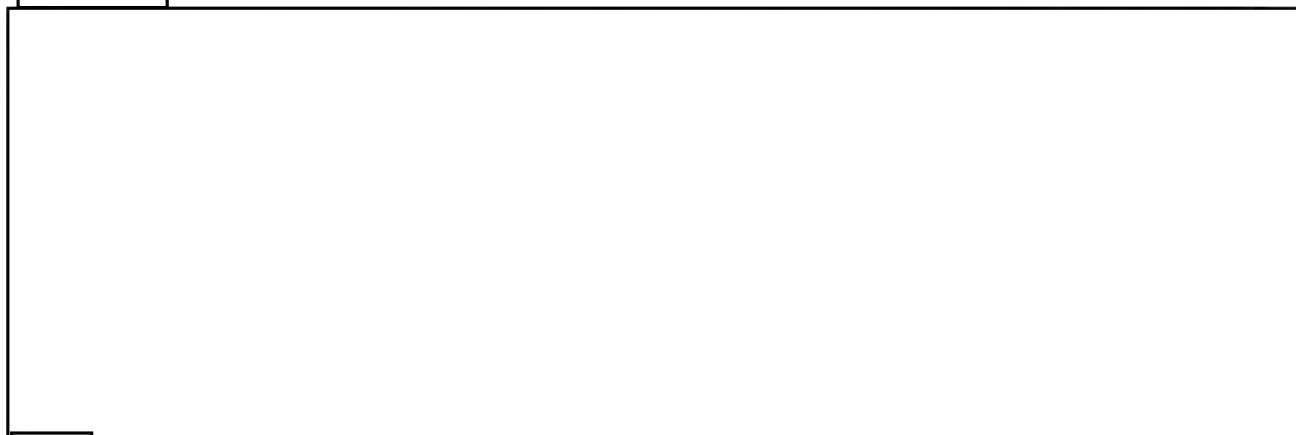


25X1 ☐ After hearing a number of employees who were requesting approval of domestic service describe in detail what duties they had performed and what tradecraft they had been required to practice to protect their cover, after consultation with officials familiar with the type of service involved, and

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after accumulating many hours of discussion among Board members at periodic meetings, the Board decided to drop the [REDACTED] [REDACTED] requirement. It has now approved a few domestic service

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[REDACTED] The modification of Board policy described above is relatively minor in the context of the total administration of CIARDS. It does not require any change in existing regulations. It is well within the discretionary authority, vested in the Director by the CIA Retirement and Disability Act, to establish and maintain the retirement system and to determine what service is qualifying for designation and participation in CIARDS.

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Executive Order 12023

25X1 ☐ One Executive Order to conform the Central Intelligence Agency Retirement Act to adopt changes legislated for essentially similar provisions in the Civil Service Retirement Act¹ was issued during the past year. Executive Order 12023, dated December 1, 1977, modified CIARDS as follows:

1. Permits assignment, execution, levy, attachment, garnishment, or other legal process to be applied to benefits when provided by Federal laws.
2. Authorizes an annuitant to make allotments or assignments of annuity for purposes approved by the Director.
3. Establishes time limits for the filing of claims for benefits.
4. Requires agencies to deposit to the Central Intelligence Agency Retirement and Disability Fund all sums deducted from the salaries of reemployed CIARDS annuitants.

25X1 ☐ The process of modifying CIARDS by Executive Order rather than by enactment of legislation has simplified and speeded up the adoption of essentially similar provisions already in effect for the Civil Service Retirement System.

1. Public Laws 94-166 of December 23, 1975; 94-183 of December 31, 1975; and 94-397 of September 3, 1976.

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CIARDS Regulations

25X1 ☐ Section 201 (a) of the Central Intelligence Agency

Retirement Act of 1964 reads as follows:

"The Director may prescribe rules and regulations for the establishment and maintenance of a Central Intelligence Agency Retirement and Disability System for a limited number of employees, referred to hereafter as the system; such rules and regulations to become effective after approval by the Chairman and ranking minority members of the Armed Services Committees of the House and Senate."

25X1 ☐ President Johnson, when he signed the enactment into law, issued a statement saying he considered the requirement for prior approval of regulations by the Congressional Committees to be an unconstitutional intrusion into the powers of the executive branch. He said he would treat the provision as a request for consultation, and asked the Director of Central Intelligence to comply with it on that basis.

25X1 ☐ The Director of CIA did submit the original regulations to the Committees as directed, and issued them on April 27, 1965, after receiving the approval of the Chairman and ranking minority members of the two Committees. The regulations have been revised several times in the intervening years without any prior submission to the Congressional Committees.

S-E-C-R-E-T

25X1 ☐ On May 11, 1978, the Agency reissued ☐ the Regulations governing the administration of CIARDS, revised to reflect changes that have occurred since the December 6, 1973 date of the prior version. Advance information copies were sent before issuance to Honorable Birch Bayh, Chairman, Select Committee on Intelligence, United States Senate, and to Honorable Edward P. Boland, Chairman, Permanent Select Committee on Intelligence, House of Representatives. Jurisdiction over the Agency and intelligence matters is now in these Committees rather than with the Armed Services Committees of the House and the Senate.

25X1 ☐ In addition to relatively minor editorial and clarifying changes, the revised regulations also reflect changes in the CIA Retirement Act, mostly in the area of benefit modifications brought about by enactment of amendments or by Executive Order. Of significance to the purposes of this report, the revisions described below affect the Agency's exercise of discretion to designate employees for participation in CIARDS. Each of these revisions had been approved and was in effect but had not yet been reflected in the formal regulations.

- 25X1 1. ☐ now reflects the decision made over a year ago to specify that the definition of qualifying service as it appears in the regulations, which is a narrower definition than is found in the CIA Retirement Act,¹ is for purposes of designation and continued

1. Section III (3), CIA Retirement Act.

S-E-C-R-E-T

participation in CIARDS. This clarification reconciles any apparent inconsistency and is an appropriate exercise of the Director's discretion to designate employees and also to remove them if he finds their careers are no longer in qualifying fields.

- 25X1 2. [] was revised to remove Hawaii, Alaska, Puerto Rico, the Virgin Islands and Guam from the overseas areas in which service as an employee of the Agency is considered qualifying for CIARDS regardless of location or duties. The prior regulation defined qualifying service to include performance of duty anywhere outside the forty-eight contiguous states and the District of Columbia.

- 25X1 3. [] was revised to state affirmatively that service that is qualifying because it requires a substantial risk to the life or health of the employee must be "in support of Agency activities abroad". The quoted phrase, which is also found in Section 203 of the CIA Retirement Act where the Director is authorized to designate employees for CIARDS participation, has never been construed by the Agency to require that the service be performed abroad. As a matter of fact, service performed abroad would not be credited under this provision of the regulations, but would be automatically considered qualifying as overseas service.

Service performed in the United States that is hazardous to life or health has always been considered to be "in support of Agency activities abroad", and thus addition of the phrase to the regulations does not involve any change in policy or in the consideration of individual cases.

- 25X1 4. [] is revised to reflect the change made December 1, 1976,¹ to require 60 months of qualifying service before an employee is designated for participation in CIARDS. Prior to that time, an employee could be designated with as little as eighteen months of qualifying service, subject to review and removal if he failed to complete at least 36 months of qualifying service after 10 years of Agency service and 60 months after 15 years.
- 25X1 5. [] are revised to continue orderly review and removal of employees designated under prior regulations that required less than 60 months of qualifying service. By July of 1981 all participants in CIARDS will have 60 months of service necessary for permanent qualification.

1. DD/A Registry 76-5908.

S-E-C-R-E-T

- 23 -

Mandatory Retirement For Age

25X1 ☐ CIARDS participants must retire at age 65 if they are paid at the rate of GS-18 or above, and at age 60 if they are below GS-18. The Director may extend the service of a participant beyond retirement age for a period of five years or less in the public interest. These provisions were enacted in the original CIA Retirement Act¹ and have continued unchanged.

25X1 ☐ The story has been quite different for Agency employees who are under the Civil Service Retirement Act. For many years the general provision of CSR² has required employees to retire at age 70 if they have at least 15 years of service, with provisions for exemption from compulsory retirement when in the public interest. Mandatory retirement at age 70 has now been abolished, effective September 30, 1978, by Public Law 95-256 of April 6, 1978³. This change does not affect mandatory retirement under CIARDS.

25XT ☐ Prior to the beginning of CIARDS in 1965 Agency employees were all under CSR unless they were temporary or intermittent. As a matter of Agency policy, employees were required to retire at age 60. When CIARDS came along it applied to about 30% of Agency employees, with the other 70% continuing under CSR. At

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1. Section 235 (b), CIA Retirement Act.
 2. 5 U. S. C. 8335 (a).
 3. 92 Stat 189 to 193.

the present time new employees are under CSR, they transfer to CIARDS if they complete 60 months of qualifying service, and less than one third of all Agency employees are in CIARDS.

25X1 ☐ Agency policy concerning mandatory age retirement for employees who are in CSR has been liberalized several times. In 1974 the age was raised from 60 to 65, in 1977 it was raised to 70, and effective September 30, 1978 there will be no mandatory age retirement for Agency employees except those who are participants in CIARDS.

25X1 ☐ Some employees throughout the Government, in positions such as law enforcement officers, firefighters, and air traffic controllers are still subject to mandatory retirement at specified ages. The requirement for age retirement for them is related to the duties, pressures and hazards of the positions they occupy. In contrast, the presence or absence of a requirement for mandatory age retirement for Agency employees is unrelated to the position occupied or to the duties, pressures or hazards to which an employee is currently exposed. The only determinant is whether he is a participant in CIARDS or a member of the Civil Service Retirement System.

S-E-C-R-E-T

Irrevocable Elections

25X1 ☐ Under the Law¹ and the Regulations², a participant in CIARDS who has at least 60 months of qualifying service and who completes 15 years of Agency service is required to elect whether he will remain permanently in CIARDS, or whether he will be transferred to CSR. Such election is not subject to review or approval by the Director.

25X1 ☐ This provision for permanent election was intended as a protection to the employee, rather than to serve any Agency purpose. The legislative history is clear on this point. Congressman O'Neill referred to the provision as follows:

"This would ensure that an individual in the system who has had 15 years of service would know at that time he was not in any danger of being moved out of the system."³

25X1 ☐ In the early years of the system, an employee was informed at the time of his election that he would not have the privilege of changing it at a later date, except that if at retirement his annuity under CSR would be greater than under CIARDS, he could elect to revert to CSR not later than 18 months prior to retirement. The maximum basic annuity under CIARDS is 70% of high-three average salary, and this maximum is reached after 35 years of service. Additional service does not increase the basic CIARDS annuity. On the other hand, the maximum basic

1. Section 203, CIA Retirement Act.

2. ☐

3. Page 5862, Hearings on HR 7216, 1963, House Armed Services Committee

S-E-C-R-E-T

annuity under CSR is 80% of high-three, reached after service of 41 years and 11 months. Any service in excess of 36 years and 10 months will produce an annuity under CSR that is higher than the 70% CIARDS maximum.

25X1 ☐ By 1975 the privilege of reverting to CSR shortly before retirement had been rescinded, the word "irrevocable" was used to describe the election to remain permanently in CIARDS, and the word "irrevocable" was used in the election form signed by the employee. The word "irrevocable" is now used in the regulations governing the election.¹

25X1 ☐ After the policy was changed in 1974 to raise the age for mandatory retirement from 60 to 65 for Agency employees under CSR, employees who had elected to remain permanently under CIARDS were given an opportunity (in 1976) to change their "irrevocable" elections and to revert to CSR if their total service at age 60 (65 if GS-18 or above) would exceed 36 years and 10 months. Eighteen employees elected to revert to CSR. Another opportunity to reelect was permitted in 1977 for all permanent CIARDS participants when the age for retirement of Agency employees under CSR was raised from 65 to 70 and 23 employees elected to revert. Both of these opportunities to reopen an "irrevocable" election were permitted because the rules in effect when the election was originally made had later

25X1 1. ☐

S-E-C-R-E-T

been changed. In other words, a new election was deemed warranted because of statutory or regulatory changes that affected one of the substantive criteria on which the employee had based his decision.

25X1 ☐ When the opportunity to reelect was offered in 1976, the 18 employees who availed themselves of the opportunity included three CIARDS participants who elected to revert to CSR, believing that by the time of retirement their service would be long enough to produce a CSR annuity exceeding the CIARDS 70% maximum. In 1977 these three officers were notified that they would be involuntarily separated because of a manpower reduction.

25X1 ☐ Realizing that retirement earlier than they had anticipated would result in annuities under CSR smaller than if they had remained in CIARDS, they asked to be redesignated and permitted to retire under CIARDS.

25X1 ☐ Each of the three was notified by memorandum on August 14, 1978 that his request to return to CIARDS had been disapproved. This policy decision, made by the Deputy Director for Administration on July 18, 1978¹ was made after consideration of an opinion of July 5, 1978 by the Legal Advisor of the Retirement Board². The opinion reviewed the legislative history of the CIA Retirement Act and advised that in the

1. DD/A Registry 78-2800.
2. OGC 78-4333.

absence of statutory or regulatory changes, an Agency policy that would permit employees to freely transfer between the CIARD and CSR systems whenever they decided they had made the wrong election "would appear to be inconsistent with the legislative intent and could seriously undermine the statutory underpinnings of a separate Agency retirement system."

25X1 ☐ Under the Regulations¹ the officers have a right to appeal these adverse determinations to the Director. The Inspector General independently investigates all appeals and makes his recommendation to assist the Director in arriving at a decision.

25X1 ☐ As long as the age for mandatory retirement was 60, (for CIARDS participants as a matter of law and for CSR covered employees as a matter of Agency policy) a qualified employee's election of retirement system was influenced almost entirely by the rate of annuity he or she might expect to receive. This changed when the mandatory retirement age was raised to 65 for Agency employees under CSR, and an employee might now elect CSR rather than CIARDS in order to avoid mandatory retirement at age 60.

25X1 ☐ While taking no position with respect to the decision reached in the three cases described above, this writer shares the Agency's belief that an unrestricted opportunity to elect in and out of CIARDS would be very disruptive of the manpower forecasting and planning for the operational cadre that is essential to the Agency's mission.

25X1 1. ☐

S-E-C-R-E-T

Reemployed CIARDS Annuitants

25X1 ☐ A CIARDS annuitant is not barred from subsequent employment in any Federal position for which he is qualified.¹ A person who retires under CIARDS and is later employed in the Federal Government continues to receive his CIARDS annuity, but his salary is reduced by an amount equal to the annuity allocable to the period of actual employment.² The amount by which his salary is reduced is credited to the CIA Retirement and Disability Fund.³

25X1 ☐ Until recently, the Civil Service Commission held that a reemployed CIARDS annuitant is excluded from coverage under Civil Service Retirement because he continues to be subject to the CIA Retirement and Disability System. The Commission has changed its position, and a reemployed CIARDS annuitant is now subject to CSR unless excluded by type of appointment.⁴

25X1 ☐ A reemployed CIARDS annuitant who is separated after being employed for at least one year under CSR may take a refund of his CSR deductions, or he may elect to waive his CIARDS annuity and retire under CSR including his CIA service in the computation of CSR annuity.

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1. Section 272, CIA Retirement Act
 2. Section 273, CIA Retirement Act
 3. Executive Order 12023 of December 1, 1977
 4. FPM Letter 831-52 dated July 24, 1978

S-E-C-R-E-T

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☐ After at least five years of service under CSR, he may retire under CSR (assuming he meets age and service requirements), and (a) receive CSR annuity based on his CSR service while continuing to receive CIARDS annuity, or (b) waive his CIARDS annuity and receive CSR annuity based on his total service.

S-E-C-R-E-T

Guidelines for Qualifying Service

A year ago this writer reported an improvement in the Agency's communication with its employees, describing the development as follows:

25X1 " [] The determination of what domestic service is qualifying for CIARDS participation has been the biggest problem encountered by the Agency in its administration of the retirement system.

25X1 " [] Back in 1964 the Agency requested and the Congress approved a system that would apply to a limited number rather than to all employees. The legislative history of the CIA Retirement Act includes recognition that the new retirement system was intended for about [] per cent of Agency employees to be designated by the Director with a considerable amount of flexibility and discretion, but in general those whose careers are primarily oriented toward the conduct and support of intelligence activities abroad plus those in domestic service whose duties are hazardous to life or health or involve special security considerations that clearly distinguish them from normal government employment. This concept was written into the law.¹ The Agency has by regulation² elaborated on this concept of qualifying service, but still in terms that are quite general.

1. 50 U.S.C. 203

2. Regulations []

S-E-C-R-E-T

25X1 ☐ Every employee request that a period of domestic service be considered qualifying for CIARDS has been subject to deliberation by the Retirement Board, which is composed of senior Agency officials representing the various Directorates. Many of the judgments are by necessity subjective, and employees in general have been uninformed as to whether the service they have performed is or is not qualifying for CIARDS.

25X4 ☐ The Agency has now taken a progressive step toward informing employees. Descriptions of 38 types of service that have been found qualifying, and of 28 types found not qualifying, have been made available to interested employees as a guide. Interested employees may check their own service against the examples, and are urged to record the full details of service they believe may be qualifying, with enough precision that, when attested by their superiors, final determination may be made at the appropriate time. A decision on domestic service is normally made when an employee is approaching retirement, although he may ask for a determination at any time. Domestic service is not approved (it is not needed) when an employee has at least 60 months of overseas service, and only enough domestic service is approved to bring an employee's total qualifying service to 60 months.

25X1 ☐ The availability of examples of qualifying

S-E-C-R-E-T

and non-qualifying service will not eliminate subjective considerations by the Retirement Board. However, when supplemented by additional descriptions as decisions are made, the examples should greatly assist employees in understanding this aspect of CIARDS, and should narrow the gray area in which guidelines are imprecise."

25X1 [] A current look shows that written descriptions of examples of qualifying and of non-qualifying service and informing employees of their availability have been quite helpful. It also appears that either employees' lack of knowledge about the rules for qualifying service, or their desire to be informed, or both, have been assumed to exist to a degree not borne out by actual experience.

25X1 [] Interviews with the Executive Secretary of the Retirement Board and with responsible officials in each of the Directorates reveal a wide disparity in employee use of the written descriptions. The document has been reviewed by an estimated 50 employees in the Operations Directorate, and has served a useful purpose in helping employees decide whether their service has been of a type the Retirement Board might approve as qualifying.

25X1 [] The other Directorates estimate employee use ranging from only one employee to perhaps as many as ten during the past year. The Executive Secretary of the Retirement Board has shown the descriptions to about eight employees, although

S-E-C-R-E-T

S-E-C-R-E-T

he has been contacted by phone or in person by many more employees who want direct answers to their questions rather than the opportunity to read a set of descriptions.

25X1 [] Based largely on its reported help to employees in the Directorate of Operations, it appears desirable to continue to make the written descriptions available to all employees of the Agency. The documents should be promptly revised to reflect the new version of Regulations [] and the elimination of the [] requirement for qualifying domestic service involving the practice of tradecraft

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25X1 [] Employee Bulletin No. 11 dated 1 July 1977 should be reissued to inform employees of the changes and to remind them that the descriptions are available for their use.

S-E-C-R-E-T

Question and Answer Booklet Updated

25X1 ☐ In the interest of keeping employees informed, the Agency revised and distributed a booklet of questions and answers on the Central Intelligence Agency Retirement and Disability System. This useful document fully sets forth in very understandable language most of what Agency employees need to know about the benefits and obligations of CIARDS and the criteria under which employees may be designated for participation. The current edition incorporates appropriate changes in law, regulations and administrative policy that have occurred since the prior edition was issued in 1969.

S-E-C-R-E-T

PART III
STATISTICAL DATA

25X1 ☐ The numbered tables on the pages that follow present a rather detailed picture of Agency retirement activities during the past year. Some of the highlights of these are discussed briefly.

Participation in CIARDS

25X1 ☐ Two years ago the Agency adopted a policy of designating for CIARDS participation only employees with at least 60 months of qualifying service, and to remove from participation, upon periodic review, employees with less than 60 months of qualifying service who had been designated under prior policy. This



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Designations and Removals

25X1 ☐ In the first six months of calendar year 1978, 64 employees were designated for participation and 54 were removed. If these rates continue, both designations and removals will exceed 1977 totals. See TABLE 2.

Participation Based on Domestic Service

25X1 ☐ Since CIARDS began, ☐ employees have been designated for participation in CIARDS using some domestic service as

S-E-C-R-E-T

qualifying. In the past year 43 employees applied and 35 were approved for participation based partly on domestic service.

See TABLE 3.

CIARDS Retirement Eligibility

☐ As in prior years, nearly ☐ all CIARDS participants are eligible to retire either voluntarily or involuntarily.

☐ meet the age and service requirements for retirement. See TABLE 4.

Retirements in the Year Ending June 30, 1978

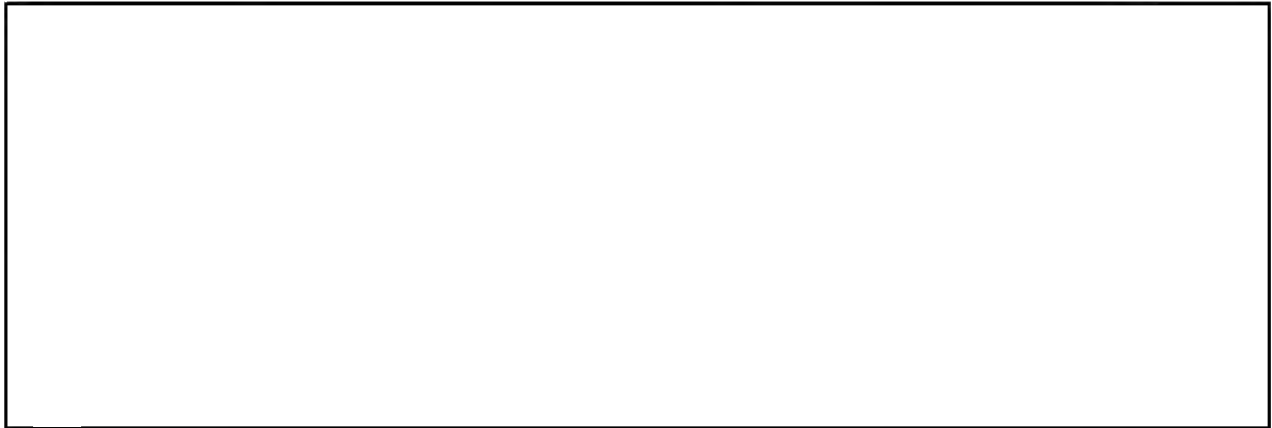
☐ Retirements under both CIARDS and CSR were up sharply in the year ending June 30, 1978. The Directorates of Operations

☐

☐ The age at retirement under CIARDS during the past year ranged from age 32 to age 61 and averaged 51.4. Under CSR the range was age 30 to age 68 and the average was 54.6. CIARDS retirees were, on the average, 3.2 years younger than retirees under CSR. See TABLE 6.

☐ CIARDS experience does not reflect a pattern of employees retiring as soon as they meet the minimum requirements for eligibility. Rather the pattern is one of only three voluntary retirements with the minimum of 20 years service, and an average of 29.3 years of service. Of those who retired at the minimum voluntary age of 50, only one had the minimum of 20 years, and they averaged 26.6 years of service. See TABLE 7 and TABLE 8.

Retirements from 1965 to June 30, 1978



☐ CSR retirements from 1965 to 1978 still exceed CIARDS retirements for the same period, but for each of the past four years CIARDS has produced more retirements. ☐

☐ Agency retirements are by employees who are CIARDS participants. See TABLE 10 and TABLE 11.

☐ When CIARDS was established by the law enacted in 1964, the statute set a limit on the number of retirements permitted. This quota was intended as a very indirect method of limiting the number of employees whom the Agency could designate as CIARDS participants, and as a deterrent to unrestricted use of involuntary separation as a management tool. Twice, when it appeared the quota might be reached, the Congress agreed to quota increases to serve the Agency's needs. The present quota

☐ does not appear to be any problem ☐

☐ Disability retirements and deaths

S-E-C-R-E-T

in service do not count against the quota. See TABLE 12.

25X1 [] The average age at retirement was down slightly under both CIARDS and CSR. CIARDS has earlier eligibility for voluntary retirement, and early mandatory retirement (generally at age 60), so it is not surprising that CIARDS retirees are, on the average, 3.2 years younger than CSR retirees. See TABLE 13.

25X1 [] A startling [] of CIARDS retirements occur before age 60, compared with [] under CSR. [] percent of Agency retirements under both systems are under age [] and this obviously goes a long way toward maintaining a youthful work force. See TABLE 14.

25X1 [] A decrease in the percentage of employees retiring under CSR at grades GS-12 and above offset a similar increase in the percentage of GS-12 and up under CIARDS, leaving the overall Agency percentage [] the same as 1977. GS-13 and above retirements under both systems dropped to [] accounted for by a sizeable drop in CSR retirements in the higher grades. See TABLE 15 and TABLE 16.

Qualifying Service

25X1 [] Almost all CIARDS participants qualify on the basis of overseas service, which is qualifying regardless of location or type of duties. A few are credited with domestic service that is qualifying only if it meets special requirements involving security considerations or hazard.

S-E-C-R-E-T

☐ Domestic service is approved only when an employee has less than 60 months of overseas service, and only in the amount needed to bring the total months of qualifying service to 60. Thus an employee with 57 months of overseas service would be given only three months of domestic service even though much more of his domestic service might be qualified if needed. Thus all statistics on qualifying domestic service reflect only months credited rather than months performed. Of

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□ participants have retired with the minimum of 60 months of qualifying service, with one employee having retired after nearly 26 years overseas. See TABLE 17, TABLE 18 and TABLE 19.

Age Comparisons

TABLES 20, 21, 22 and 23 show age and grade of active employees as of June 30, 1978 compared with the known past and the projected future.

S-E-C-R-E-T

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PART IV
RETIREMENT SYSTEMS COMPARED

25X1 ☐ As noted in previous reports, the Central Intelligence Agency Retirement and Disability System is not the most generous of all systems for Federal employees. It is more generous in terms of early retirement and of annuity computation formula than is the Civil Service Retirement System which applies to Federal employees generally. It is noticeably less generous than provisions that apply to other specific groups of employees. This is illustrated in part by the table below which expresses annuity as a percentage of average salary or final pay.

BASIC ANNUITY UNDER VARIOUS COMPUTATION FORMULAS¹

Assuming Voluntary or Age Retirement (U)

| Computation Formula | Age 50 with 20 Years of Service | Age 60 with 30 Years of Service | Age 60 with 40 Years of Service |
|-----------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Civil Service Retirement | No Provision | 56.25% | 76.25% |
| CIARDS | 40% | 60% | 70% |
| Foreign Service | 40% | 60% | 70% |
| FBI | 50% | 70% | 80% |
| Members of Congress | 42.5% | 75% | 80% |
| D. C. Police and Firemen | 50% | 80% | 80% |

1. Expressed as a percentage of high-three average salary or final pay.

25X1- ☐ The report of a year ago included a comparison of the principal provisions of the Civil Service Retirement and other pertinent retirement systems. The comparisons are included here for convenience, revised only to note the changes in mandatory retirement under the Civil Service and the Foreign Service Retirement Systems. Other major provisions have not been changed in the past year.

S-E-C-R-E-T

S-E-C-R-E-T

COMPARISON OF PRINCIPAL PROVISIONS OF THE CIVIL SERVICE AND OTHER RETIREMENT SYSTEMS
(CIA, FOREIGN SERVICE, LAW ENFORCEMENT)

NOTE: This chart has been prepared to give only general information about these retirement systems.
The presentation is necessarily simplified and many technical points are not covered.

30 June 1977

| Item | Civil Service Retirement | CIA Retirement | Foreign Service | Law Enforcement & Firefighter |
|----------------------------------|---|---|---|---|
| Contributions to Retirement Fund | By employee: 7% of basic pay. By Agency : 7% of basic pay. | Same as CS. | Same as CS. | By employee: 7-1/2% of basic pay. By Agency : 7-1/2% of basic pay. |
| Computation of Annuity | | | | |
| Basis | Based on average basic salary for highest three consecutive years of service (high-3) and years of creditable service increased by the days of unused sick leave. | Same as CS. | Same as CS. | Same as CS. |
| Formula | 1-1/2% of high-3 times first 5 years of service + 1-3/4% of high-3 times second 5 years of service + 2% of high-3 times remaining years of service. | 2% of high-3 times years of service. | 2% of high-3 times years of service. | 2-1/2% of high-3 for first 20 years of law enforcement or firefighter service; 2% of high-3 for total service in excess of 20 years. |
| Maximum | 80% of high-3 (attained at 41 years, 11 months service). Annuity in excess of the maximum that is produced by crediting unused sick leave is payable. | 70% of high-3 (attained at 35 years of service). Same as CS. | 70% of high-3 (attained at 35 years of service). Same as CS. | 80% of high-3 (attained at 35 years of service). Same as CS. |

S-E-C-R-E-T

S-E-C-R-E-T

| Item | Civil Service Retirement | CIA Retirement | Foreign Service | Law Enforcement and Firefighter |
|---|---|----------------|-----------------|---------------------------------|
| Computation of Annuity (con't) | | | | |
| Total service required to produce annuity equal to 50% of high-3 or final pay, as applicable. | 26 and 11/12 years. | 25 years. | 25 years. | 20 years. |
| Credit for Military Service | As a general rule, military service is creditable, without deposit to the fund, provided it was active service, was terminated under honorable conditions, and was performed before separation from a civilian position under the retirement system. Military service covers service in the Army, Navy, Air Force, Marine Corps, and Coast Guard, including the service academies and, after June 30, 1960, in the Regular Corps or Reserve Corps of the Public Health Service, and, after June 30, 1961, as a commissioned officer of the Coast and Geodetic Survey. | Same as CS. | Same as CS. | Same as CS. |
| Cost-of-Living Adjustment | Geared to movement of CPI as determined by BLS. Adjustments authorized 1 March and 1 September of each year. | Same as CS. | Same as CS. | Same as CS. |

S-E-C-R-E-T

S-E-C-R-E-T

| Item | Civil Service Retirement | CIA Retirement | Foreign Service | Law Enforcement & Firefighter |
|---------------------------------|---|---|--|--|
| Computation of Annuity (con't). | | | | |
| Reduction for age | Annuity is reduced by 2 percent per year for each year the employee is under age 55. This reduction does not apply in the case of disability retirement. | No reduction for age for any type of retirement. | No reduction for age for any type of retirement. | No reduction for age for any type of retirement. |
| Minimum annuity | No annuity less than minimum Social Security payment. | Same as CS. | Same as CS. | Same as CS. |
| Optional (Voluntary) | Available at age 60 with 20 years service, age 62 with 5 years service, age 55 with 30 years service. | Available at age 50 with 20 years service, including 10 years Agency service of which 5 years are qualifying, upon application and with consent of DCI. | Available at age 50 with 20 years service. | Available at age 50 with 20 years of law enforcement or firefighter service. |
| Involuntary Retirement | Immediate annuity available if involuntarily separated, not for cause, if: Any age with 25 years service; Age 50 with 20 years service. Earned annuity reduced proportionately for years under age 55. | Involuntary retirement at the discretion of the DCI if: Any age with 25 years service; or age 50 with 20 years service. In either case, must have 10 years Agency service including 5 years of qualifying service. | Involuntarily retired with immediate annuity when selected-out at any age as FSO class 1, 2 and 3. | No similar provision. |

S-E-C-R-E-T

S-E-C-R-E-T

| Item | Civil Service Retirement | CIA Retirement | Foreign Service | Law Enforcement and Firefighter |
|----------------------------|---|---|---|---|
| Disability Retirement | Available at any age with 5 years of service. | Same as CS. | Same as CS. | Same as CS. |
| | Guaranteed minimum annuity is the lesser of: (1) 40% of high-3; or (2) annuity computed by extending service to age 60. | Same as CS. | Same as CS. | Same as CS. |
| | Under Federal income tax, the "sick-pay" exclusion (up to \$100 per week) is applicable to eligible annuitants up to age 65. | Same as CS. | Totally tax free. | Same as CS. |
| Mandatory (Age) Retirement | Required at age 70 with 15 years of service. | Required at: Age 65 if GS-18 or above; Age 60 if GS-17 or below. The DCI may extend a participant's service for not more than 5 years. | Required at: Age 65 if a Career Ambassador or a Career Minister; Age 60 for all other participants. The Secretary of State may extend a participant's service for not more than 5 years. | Required at age 55 with 20 years of law enforcement or firefighter service (effective January 1, 1978). |

S-E-C-R-E-T

S-E-C-R-E-T

| Item | Civil Service Retirement | CIA Retirement | Foreign Service | Law Enforcement and Firefighter |
|------------------------------|---|----------------|--|---------------------------------|
| Deferred Annuity | An employee who is separated before becoming eligible for an immediate annuity but with five years or more of service may elect to leave his contributions in the Retirement Fund and receive an annuity at age 62. | Same as CS. | Any participant who is separated before becoming eligible for an immediate annuity but with five or more years of service may elect to leave his contributions in the fund and receive a deferred annuity at age 60. | Same as CS. |
| Changes since 1 July 1977 | Effective 30 September 1978, the Civil Service mandatory retirement age is repealed by Public Law 95-256, dated April 6, 1978. | | Career Ministers, unless serving in a position appointed by the President and confirmed by the Senate, will be mandatorily retired on a graduated scale between ages 60-65 until 31 March 1979; thereafter age 60 will become the mandatory age. Currently, all mandatory retirements have been suspended pending the outcome of the appeal in the <u>Bradley vs Vance</u> case. | |

S-E-C-R-E-T

S-E-C-R-E-T

COMPARISON OF PRINCIPAL PROVISIONS OF THE CIVIL SERVICE AND OTHER RETIREMENT SYSTEMS
(MEMBERS OF CONGRESS, D. C. POLICE & FIREMEN)

NOTE: This chart has been prepared to give only general information about these retirement systems.
The presentation is necessarily simplified and many technical points are not covered.

30 June 1977

| Item | Civil Service Retirement | Members of Congress | D. C. Police & Firemen |
|----------------------------------|---|--|---|
| Contributions to Retirement Fund | By employee: 7% of basic pay. By Agency : 7% of basic pay. | Members: 8%. Same by Agency. | By employee: 7% of basic pay. By Agency : None |
| Computation of Annuity Basis | Based on average basic salary for highest three consecutive years of service (high-3) and years of creditable service increased by the days of unused sick leave. | Same as CS. | Computed on basic salary (regular salary established by law plus any differential for special occupational assignment) at the time of retirement. |
| Formula | 1-1/2% of high-3 times first 5 years of service + 1-3/4% of high-3 times second 5 years of service + 2% of high-3 times remaining years of service. | 2-1/2% of high-3 times all years as Member or Congressional employee, or of military service that interrupted Member service, plus up to five years of other military service. Remaining years computed under general CS formula (usually 2%). | 2-1/2% of basic salary for first 20 years of police or fire service; 3% for police or fire service in excess of 20 years; 3% for unused sick leave 2-1/2% for other creditable military and Federal civilian service. |
| Maximum | 80% of high-3 (attained at 41 years, 11 months service). | 80% of the greatest of: (a) the final basic pay of the Member; (b) the average pay of the Member; or (c) the final basic pay of a subsequent appointive position. | 80% of basic salary for optional retirement and 70% of basic salary for disability (in line of duty) retirement. |

S-E-C-R-E-T

S-E-C-R-E-T

| Item | Civil Service Retirement | Members of Congress | D. C. Police & Firemen |
|---|---|-----------------------|--|
| Computation of Annuity (con't) | | | |
| Maximum (con't) | Annuity in excess of the maximum that is produced by crediting unused sick leave is payable. | No similar provision. | Same as CS. |
| Total service required to produce annuity equal to 50% of high-3 or final pay, as applicable. | 26 and 11/12 years. | 20 years. | 20 years. |
| Credit for Military Service | As a general rule, military service is creditable, without deposit to the fund, provided it was active service, was terminated under honorable conditions, and was performed before separation from a civilian position under the retirement system. Military service covers service in the Army, Navy, Air Force, Marine Corps, and Coast Guard, including the service academies and, after June 30, 1960, in the Regular Corps or Reserve Corps of the Public Health Service, and, after June 30, 1961, as a commissioned officer of the Coast and Geodetic Survey. | Same as CS. | Same as CS. |
| Post-of-Living Adjustment | Geared to movement of CPI as determined by BLS. Adjustments authorized 1 March and 1 September of each year. | Same as CS. | Same as CS for survivors only. Retiree's annuity is recomputed on the basis of new salary level granted to active duty personnel subject to current maximum of \$57,800) with the same effective date of increase. |

S-E-C-R-E-T

| Item | Civil Service Retirement | Members of Congress | D. C. Police & Firemen |
|---------------------------------|---|--|--|
| Computation of Annuity (Don't). | | | |
| Reduction for age | Annuity is reduced by 2 percent per year for each year the employee is under age 55. This reduction does not apply in the case of disability retirement. | For Members reduction is 1% per year for the first 5 years and 2% for remaining years Member is under age 60. | No reduction for age for any type of retirement. |
| Minimum annuity | No annuity less than minimum Social Security payment. | Same as CS. | No similar provision. |
| Optional (Voluntary) | Available at age 60 with 20 years service, age 62 with 5 years service, age 55 with 30 years service. | Available to members at age 62 with 5 years civilian service; at age 60 with 10 years Members' service; and at age 55 with 30 years of service (with reduction under age 60). A Member of any age with 25 years of service, or at age 50 with 20 years of service or service in 9 Congresses may in effect retire optionally (with reduced annuity) by deciding not to run for reelection. | Available at any age with 20 years police or fire service with at least 60 days written advance notice to his department head. |
| Invuntary Retirement | Immediate annuity available if involuntarily separated, not for cause, if: Any age with 25 years service; Age 50 with 20 years service. Earned annuity reduced proportionately for years under age 55. | A Member who is separated, except by resignation or expulsion, after completing 25 years of service or after becoming 50 years of age and (1) completing 20 years of service or (2) serving in 9 Congresses is entitled to a reduced annuity. This includes a Member who does not run for reelection or who is defeated in a primary or in an election. | No similar provision. |

S-E-C-R-E-T

S-E-C-R-E-T

| Item | Civil Service Retirement | Members of Congress | D. C. Police & Firemen |
|----------------------------|---|--|--|
| Disability Retirement | Available at any age with 5 years of service. Guaranteed minimum annuity is the lesser of: (1) 40% of high-3; or (2) annuity computed by extending service to age 60. | Same as CS. Same as CS. | Not in line of duty: Available at any age with 5 years of service computed as 2% of basic salary or portion thereof but not to exceed 70% of basic salary at time of retirement; 40% guaranteed. In line of duty: Any age, no service requirement, 2% of basic salary at time of retirement for each year or portion thereof of his service; 70% maximum; 66-2/3% guaranteed. Not in line of duty: Same as CS. In line of duty: Totally tax free. |
| Mandatory (Age) Retirement | Required at age 70 with 15 years of service. | Members exempt from any mandatory age. | Age 60. On Commissioner's order, can remain to age 64. |
| Deferred Annuity | An employee who is separated before becoming eligible for an immediate annuity but with five years or more of service may elect to leave his contributions in the Retirement Fund and receive an annuity at age 62. | Members eligible at age 62 with 5 years civilian service. Members eligible at age 60 with 10 years Member service. Member with 20 years service, including 10 or more years of Member service entitled to reduced annuity beginning at age 50. | No similar provision. |
| Changes since 1 July 1977 | Effective 30 September 1978, the Civil Service mandatory retirement age is repealed by Public Law 95-256, dated April 6, 1978. | | |

S-E-C-R-E-T

PART V
FINDINGS AND CONCLUSION

Findings

25X1 1. ☐ The Congress continued to demonstrate its interest in the Central Intelligence Agency Retirement and Disability System. As a result of an intensive hearing on October 13, 1977, followed by a written exchange of questions and answers, the House Permanent Select Committee on Intelligence is now in possession of very detailed and comprehensive information about CIARDS and its administration by the Agency.

25X1 2. ☐ As in prior years, the Agency administers CIARDS strictly as a system for a limited number of CIA employees.

☐ 25X1 with most of the remainder being members of the Civil Service Retirement System.

25X1 3. ☐ Employees are designated for CIARDS after they have completed at least 60 months of qualifying service. All overseas service is qualifying regardless of location or type of duties. Domestic service is qualifying only if it meets specific tests of hazard or of special security requirements that distinguish it from normal government employment.

S-E-C-R-E-T

25X1 4. ☐ "Overseas service" now includes only service outside the fifty states, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands.

25X1 5. ☐ The Director of Central Intelligence reaffirmed a policy of strict observance of the regulatory criteria and intent of the law in designating employees for CIARDS participation, and announced that no relaxation or liberalization of the criteria will be permitted to ease the problems attendant to a reduction in personnel.

25XT 6. ☐ CIARDS was not used by the Agency as a device for selecting employees scheduled to be separated in a reduction of position in the Directorate of Operations. However, about half of the employees originally scheduled for separation from the Directorate of Operations will retire and the immediate annuities payable under CIARDS and under CSR will ease their financial burdens. Most of the other half will be reassigned to other Directorates.

25X1 7. ☐ The CIA Retirement Board continues to consider and act upon each individual transaction of an employee going into or out of CIARDS, and as in past years devotes most of its time and energy to consideration of applications for approval of domestic qualifying service. The Board is very conservative and strict in its application of the law, the regulations, and

S-E-C-R-E-T

of Board policy developed over the years since 1965.

25X1 8. ☐ The Board modified one of its policies on qualifying domestic service during the year, and now may approve



25X1

This relatively minor modification is a reasonable exercise of the discretionary authority vested in the Director to determine what service is qualifying for CIARDS purposes.

25X1 9. ☐ An Executive order brought CIARDS into conformity with similar provisions legislated for CSR, and a revision and reissuance of Regulations brought the regulations up to date with numerous changes in Agency policy already put into effect in the past several years.

25X1 10. ☐ The Agency decided it does not need a mandatory retirement age except for employees who are part of the operational cadre essential to accomplishment of the Agency's mission.

25X1 11. ☐ The Agency decided that so-called "irrevocable" elections for permanent participation in CIARDS may not be changed in the absence of a statutory or regulatory change in one of the conditions on which the election was based. An unrestricted opportunity to elect in and out of CIARDS could

S-E-C-R-E-T

indeed be disruptive of manpower forecasting and planning for the operational cadre.

25X1 12. ☐ CIARDS annuitants who are reemployed elsewhere in the Government service may now serve under the Civil Service Retirement Act.

25X1 13. ☐ The guidelines for qualifying domestic service written and made available for employee use have served a useful purpose and should be brought up to date and their availability once again be made known to employees.

Conclusion

25X1 ☐ The Director has reaffirmed that the Agency policy will be one of strict interpretation and application of the law and the regulations in designating employees for participation in CIARDS. The CIA Retirement Board in its recommendations, and the Director of Personnel in his decisions made under delegated authority, have been consistent in observing this policy. No deviations from the law, the regulations, or accepted Agency policies were observed to have occurred during the past year.

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